

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 SP-02 ICA-11 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 L-03 PA-01 /095 W  
-----034593 191119Z/10

P R 190740Z MAY 78

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 1999

INFO AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY NICOSIA

AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY PARIS PRIORITY

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

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USEEC, USOECD

E.O. 11652: N/A

TAGS: ETRD, TU

SUBJECT: TURKISH TRADE PERFORMANCE: 1ST QUARTER 1978

REF: ANKARA 3879

1. TURKISH TRADE PERFORMANCE DURING THE FIRST QUARTER OF  
1978 WAS DISAPPOINTING. EXPORTS WERE DOWN 2.4 PERCENT COMPARED  
WITH 1977, WHICH WAS ITSELF A BAD YEAR FOR EXPORTS, AND  
11.5 PERCENT COMPARED WITH THE 1975-1977 FIRST QUARTER AVERAGE.  
IMPORTS WERE DOWN 31.5 PERCENT FROM 1977 AND 25 PERCENT FROM THE  
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THREE-YEAR AVERAGE. ALTHOUGH THERE WAS A 25 PERCENT INCREASE  
IN EXPORTS OF AGRICULTURAL PRODUCTS, MINERALS EXPORTS WERE OFF  
22 PERCENT AND EXPORTS OF MANUFACTURED GOODS WERE DOWN ALMOST  
40 PERCENT. THE DROP IN IMPORTS WAS LARGELY THE RESULT OF  
TURKEY'S INABILITY TO FIND ADEQUATE FINANCING.

TURKEY - 1978 TRADE  
(MILLIONS OF US \$)

MONTH	IMPORTS	EXPORTS	TRADE BALANCE
JAN	184.1	151.2	-32.9
FEB	495.3	169.9	-325.4
MAR	283.2	159.1	-124.1
TOTAL	962.6	480.2	482.4

IN 1977 FIRST QUARTER IMPORTS WERE \$1,405 MILLION, EXPORTS 492 MILLION AND THE TRADE DEFICIT WAS \$913 MILLION.

2. EXPORTS: EXPORTS OF AGRICULTURAL PRODUCTS WERE UP 25 PERCENT, REACHING \$343 MILLION WHICH IS 72 PERCENT OF TOTAL EXPORTS.

COTTON EXPORTS TOTALED \$114 MILLION, A 118 PERCENT INCREASE OVER 1977 BUT LESS THAN HALF THE \$241 MILLION EXPORTED IN THE FIRST QUARTER OF 1976. COTTON EXPORT VOLUME WAS ABOUT 99,000 TONS, UP ABOUT 190 PERCENT FROM THE 34,000 TONS EXPORTED IN 1977. TOBACCO EXPORTS WERE

DOWN ABOUT 7 PERCENT TO \$60.6 MILLION ALTHOUGH EXPORT VOLUME WAS UP 29 PERCENT TO 21,600 TONS. EXPORTS OF FRUITS, VEGETABLES AND NUTS INCREASED 5 PERCENT TO \$117 MILLION. EXPORTS OF CEREAL GRAINS (MAINLY WHEAT) WERE UP OVER 200 PERCENT TO ABOUT \$26 MILLION. WHEAT EXPORTS ARE HANDICAPPED BY THE FACT THAT SHIPPING CONSTRAINTS PREVENT MORE RAPID EXPORTS. THE BULK OF THE \$320 MILLION IN WHEAT TURKEY HAS CONTRACTED TO EXPORT BETWEEN JANUARY 1977 AND APRIL 1978 REMAINS TO BE SHIPPED.

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3. MINERALS EXPORTS WERE DOWN 22 PERCENT TO \$22 MILLION. A 60 PERCENT DROP IN EXPORTS OF CHROMIUM ORE IS PRIMARILY RESPONSIBLE FOR THE DECLINING MINERAL EXPORTS SINCE EXPORTS OF CRUDE BORAX AND MAGNESITE INCREASED BY ABOUT 4 PERCENT TO \$17 MILLION.

4. EXPORTS OF MANUFACTURED GOODS WERE DOWN ABOUT 40 PERCENT TO \$115 MILLION. THE LARGEST DECLINE IN DOLLAR TERMS WAS IN TEXTILES, OFF 33 PERCENT TO 57 MILLION. EXPORTS OF LEATHER GOODS WERE DOAN 17 PERCENT TO \$10 MILLION, CHEMICALS WERE DOWN 13 PERCENT TO \$6.5 MILLION AND GLASS/CERAMICS EXPORTS WERE OFF 30 PERCENT TO \$5.4 MILLION. THE TWT BRIGHT SPOTS IN THE MANUFACTURED GOODS SECTOR WERE THAT MACHINERY EXPORTS WERE UP 80 PERCCENT TO \$4

MILLION AND EXPORTS OF ELECTRICAL APPLIANCES WERE UP OVER -00 PERCENT TO \$900,000.

5. THE IMPOSITION OF QUOTAS BY THE EEC HAS PROBABLY HURT EXPORT OF TURKISH TEXTILES. POWER OUTAGES AND SHORTAGES OF KEY INPUTS DUE TO THE LACK OF IMPORT FINANCING ALSO HAVE CONTRIBUTED TO LOWER MANUFACTURED EXPORTS; HOWEVER, THE BIGGEST

IMPEDIMENT TO RAPIDLY INCREASING MANUFACTURED EXPORTS IS THE ATTITUDE PREVALENT IN BOTH THE GOVERNMENT AND THE PRIVATE SECTOR THAT DOMESTIC DEMAND MUST FIRST BE SATISFIED, AND THEN ANY EXCESS PRODUCTION CAN BE EXPORTED. THIS ATTITUDE IS REINFORCED BY THAT FACT THAT SELLING IN THE DOMESTIC MARKET IS OFTEN MORE PROFITABLE THAN EXPORTING.

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-----038035 191117Z/13

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6. THE GOVERNMENT GIVES LIP-SERVICE TO EXPORT PROMOTION AND HAS CREATED AN EXPORT COORDINATION BOARD AND A FUND TO SUPPORT EXPORTS, BUT FEW PRACTICAL INCENTIVES ARE CONTAINED IN THE GOVERNMENT'S EXPORT PROGRAM. IN FACT, THE GOVERNMENT IS TAXING EXISTING AGRICULTURAL EXPORTS TO FINANCE THE FUND IT HAS CREATED TO SPUR MANUFACTURED EXPORTS. FOR EXAMPLE, THE 30 PERCENT LIRA DEPRECIATION HAS NOT INCREASED THE RETURN TO COTTON EXPORTERS SINCE TWO-THIRDS OF THE INCREASE BETWEEN THE OLD AND NEW RATES OF EXCHANGE MUST BE TURNED OVER TO THE MINISTRY OF COMMERCE TO FINANCE THE EXPORT PROMOTION FUND,

WHOSE PURPOSES AS YET ARE UNDEFINED. ALTHOUGH THE EXPORTER  
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KEEPS 1/3 OF THE INCREASE, HIS REAL RETURN IS THE SAME AS BEFORE  
THE DEPRECIATION SINCE THE 10 PERCENT EXPORT SUBSIDY HAS BEEN  
REMOVED. THIS PATTERN OF TAXING AGRICULTURAL EXPORTS TO SUBSIDIZE  
POTENTIAL MANUFACTURED EXPORTS IS APPLIED TO OTHER MAJOR  
EXPORT CROPS WITH SLIGHT VARIATIONS.

7. IMPORTS: AS CAN BE SEEN FROM THE TABLE IN PARA 1, IMPORTS  
HAVE FLUCTUATED CONSIDERABLY FROM MONTH TO MONTH. THE MAIN  
REASON FOR THESE PEAKS AND VALLEYS IS THE VARIANCE IN IMPORTS  
OF CRUDE PETROLEUM. NO CRUDE OIL WAS IMPORTED IN JANUARY,  
\$171 MILLION IN FEBRUARY AND ONLY \$23 MILLION IN MARCH. THE  
FIRST QUARTER TOTAL OF \$194 MILLION REPRESENTS ABOUT A 13  
PERCENT REDUCTION IN CRUDE IMPORTS COMPARED WITH 1977. IMPORT  
VOLUME WAS DOWN ALMOST 20 PERCENT, HOWEVER. SINCE YEAR-END  
STOCKS WERE RELATIVELY HIGH AND LARGE CRUDE IMPORTS PROBABLY  
OCCURRED IN APRIL, FIRST QUARTER FIGURES MAY BE MISLEADING  
ABOUT THE EXACT SIZE OF THE REDUCTION IN CRUDE IMPORTS. THERE  
HAVE BEEN ISOLATED SHORTAGES OF GASOLINE IN SOME AREAS FOR  
SHORT PERIODS OF TIME. HEAVY RAINFALL HAS ALLOWED FOR INCREASED  
USE OF HYDRO-POWER; HOWEVER THERE APPEARS TO BE NO SIGNIFICANT  
REDUCTION IN CONSUMPTION OF PETROLEUM PRODUCTS. THIS PARTLY  
RESULTS FROM THE FACT THAT IMPORTS OF REFINED PETROLEUM PRODUCTS  
ARE UP 23 PERCENT TO \$68 MILLION. CRUDE AND REFINED PETROLEUM  
IMPORT TOGETHER ARE DOWN ONLY 5.5 PERCENT FROM 1977.

8. DECLINES IN OTHER KEY IMPORTS ARE MORE SIGNIFICANT.  
FERTILIZER IMPORTS ARE DOWN 34 PERCENT BY VALUE AND 47 PERCENT  
BY VOLUME TO \$34 MILLION AND 290,000 TONS RESPECTIVELY. FIRST  
QUARTER IMPORTS IN 1977 TOTLED ALMOST 550,000 TONS. CHEMICAL  
IMPORTS ARE DOWN 36 PERCENT, TO \$96 MILLION; MACHINERY DOWN  
47 PERCENT TO \$110 MILLION; AND RUBBER AND PLASTICS DOWN 55  
PERCENT TO \$26 MILLION.

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9. IMPORTS OF IRON AND STEEL, ONE OF THE GOVERNMENT'S PRIORITY  
IMPORT CATEGORIES, ARE DOWN ONLY 16 PERCENT TO \$124 MILLION.  
INDEED, IMPORTS OF IRON RODS FOR CONSTRUCTION ARE UP ALMOST  
50 PERCENT.

10. IMPORTS OF RAW MATERIALS, INTERMEDIATE AND CAPITAL GOODS  
FOR THE INDUSTRIAL SECTOR REACHED ABOUT \$4 BILLION IN 1977.  
CURRENT IMPORTS OF THESE GOODS ARE ON AN ANNUAL RATE OF \$2.6

BILLION, A REDUCTION OF ABOUT 35 PERCENT. EVEN THOUGH MANY MANUFACTURERS STOCKPILED KEY IMPORTED INPUTS LAST YEAR, MANY HAVE BEEN DRAWING DOWN ON THESE STOCKPILES TO MAINTAIN PRODUCTION. THE REDUCED LEVEL OF IMPORTED INPUTS IN THE FIRST QUARTER OF 1978 WILL EVENTUALLY LOWER INDUSTRIAL PRODUCTION LATER THIS YEAR. IT IS QUITE UNLIKELY THAT THE GOVERNMENT'S 1978 PLAN TO INCREASE INDUSTRIAL OUTPUT BY 8.8 PERCENT WILL BE REACHED.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE DATA, QUARTERLY REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978ANKARA03836  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780211-0147  
**Format:** TEL  
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**Message ID:** e8558c9a-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 ANKARA 3879  
**Retention:** 0  
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**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TURKISH TRADE PERFORMANCE: 1ST QUARTER 1978  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014